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December 2, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. 05-90, Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, NSTAR Gas Company – 2005 Pension Adjustment Factor Filing

Dear Secretary Cottrell:

Boston Edison Company ("Boston Edison"), Cambridge Electric Light Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth") and NSTAR Gas Company ("NSTAR Gas") (together, "NSTAR" or the "Companies") hereby submit an original and nine (9) copies of their 3rd annual Pension/PBOP Adjustment Factors ("PAF") for effect January 1, 2006 (the "Filing"). The Filing is being made in accordance with the Department's order in Boston Edison Company/Cambridge Electric Light Company/Commonwealth Electric Company and NSTAR Gas Company, D.T.E. 03-47-A (2003). The Filing applies the methodology set forth in the Companies' first annual true-up filing, dated December 1, 2003, in D.T.E. 03-47.

The proposed PAFs to become effective on January 1, 2006 are as follows:

Company	**Pension Adjustment Factor**
Boston Edison Company	$0.00030 per kWh
Cambridge Electric Light Company	$0.00086 per kWh
Commonwealth Electric Company	$0.00080 per kWh
NSTAR Gas Company	$0.01594 per Therm

Consistent with the design of the Company's Pension/PBOP Adjustment Mechanism, the Filing includes part-actual/part-forecast data for 2005 and forecasted kilowatthour and MMBTU sales for 2006. The Companies propose to update the Filing in the spring of 2006 to provide actual year-end data and to allow a final reconciliation for 2005.

Included with the Filing is the prefiled testimony and exhibit of Christine L. Vaughan, Manager of Regulatory Requirements for the regulated operating companies of NSTAR. Ms.

Vaughan's testimony provides a description of the methodology used by the Companies to calculate the proposed Pension/PBOP Adjustment Factors for effect January 1, 2006.

Any correspondence with regard to this filing should be directed to the following:

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Thank you for your attention to this matter.

Sincerely,

Robert J. Keegan (DSR)

Robert J. Keegan

Enclosures

cc: Caroline Bulger, Hearing Officer
Joseph Rogers, Assistant Attorney General
Service List, D.T.E. 04-118

BOSTON EDISON COMPANY
CAMBRIDGE ELECTRIC LIGHT COMPANY
COMMONWEALTH ELECTRIC COMPANY
NSTAR GAS COMPANY

Direct Testimony of Christine L. Vaughan

Exhibit NSTAR-CLV

D.T.E. 05-90

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Christine L. Vaughan. My business address is 1 NSTAR Way, Westwood, MA 02090.

Q. By whom are you employed and in what capacity?

A. I am Manager of Regulatory Requirements for the regulated operating companies of NSTAR. In this capacity, I am responsible for all regulatory filings concerning the financial requirements of Boston Edison Company ("Boston Edison"), Cambridge Electric Light Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth") and NSTAR Gas Company (together, "NSTAR" or the "Company").

Q. Please summarize your educational background.

A. I graduated from McGill University in Montreal, Canada in 1990 with a Bachelor of Engineering Degree and from Yale University in New Haven, CT in 1998 with a Masters Degree in Business Administration. Additionally, I have earned the right to use the Chartered Financial Analyst designation.

Q. Please describe your current responsibilities.

A. I was hired as Manager of Regulatory Requirements on July 19, 2004. In this role, I am responsible for directing the preparation of financial data required for regulatory filings and serve as the Company's financial requirements witness. My responsibilities include, among a variety of other financial services, the reconciliation of NSTAR's Transition Charge filings and the Company's Pension Adjustment Factor.

Q. Please summarize your previous business experience.

A. I worked as a management consultant for five years at Arthur D. Little and at Charles River Associates, a company that purchased a portion of Arthur D. Little. In this capacity, I assisted clients with financial issues such as acquisition support and asset privatization. I also helped clients develop long-range strategic plans and assisted them with market analysis. Prior to my consulting experience and my MBA, I worked for six years at DuPont and BASF as a development engineer.

Q. Have you previously testified before any regulatory body?

A. Yes. I have sponsored testimony in D.T.E. 04-118, which was last year's filing for NSTAR's Pension Adjustment Factor. Also, I have sponsored testimony in D.T.E. 04-113, Boston Edison's 2004 Annual Reconciliation Filing, D.T.E. 04-114, the 2004 Annual Reconciliation Filing for Cambridge Electric Light Company and Commonwealth Electric Company, and D.T.E. 04-65, Cambridge's filing regarding the valuation of streetlights. I offered testimony at the Federal Energy Regulatory Commission (the "FERC") in Docket No. ER05-69-000 on behalf of Boston Edison relating to the modification of the Company's Tariff 8 chiefly to permit the inclusion of 50% of construction work in progress in rate base. I am also concurrently sponsoring testimony in D.T.E. 05-88, Boston Edison's Transition Charge filing for 2006, and in D.T.E. 05-89 Cambridge's and Commonwealth's Transition Charge filing for 2006.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. My testimony addresses the Pension Adjustment Factor ("PAF") filing for the Company for 2006. My testimony provides support for the Company's request for approval of the proposed Pension Adjustment Factor ("PAF") to become effective January 1, 2006. This filing also provides the initial true up for the 2005 Pension Adjustment Factor, and presents an estimate of such expenses and revenues for 2005. However, NSTAR is not requesting approval of the 2005 true-up at this time. Similar to the practice with Transition Charge filings, once all 2005 data is finalized, NSTAR will make a final 2005 reconciliation filing that will fully account for all costs and revenues for the year 2005. At this time, NSTAR is seeking approval only of the 2006 PAF for billings effective January 1, 2006.

Q. Please explain the requirement for PAM Reconciliation.

A. The PAM, as approved by the Department in D.T.E. 03-47-A, is designed to reconcile the annual expense amounts booked by the Company for pension benefits and post-retirement benefits other than pensions ("PBOP") in accordance with Statement of Financial Accounting Standards No. 87 ("SFAS 87") and the Statement of Financial Accounting Standards No. 106 ("SFAS 106") with the annual expense amount included in the Company's base rates. The PAM establishes a separate, annual rate adjustment for each distribution company and will ensure that customers pay no more and no less than the amounts actually needed to provide appropriate pension and PBOP benefits to the Company's employees.

Q. Please describe the exhibits included as attachments to your testimony.

A. In addition to this testimony, NSTAR-CLV, I sponsor Exhibit NSTAR-CLV-1, which is a four-page exhibit that summarizes the development of the Company's proposed PAF for 2006 based on a forecast of pension and PBOP expenses and revenues for 2005, which include ten months of actual values and two months forecasted values, and a forecast of kWh and MMBTUs for 2006.

III. BACKGROUND OF NSTAR PAM CHARGE

Q. What is the purpose of the Company's PAM?

A. In 2003, the Department approved a PAM, which allows the Company to establish an annual reconciliation factor to recover the portion of the Company's annual pension and PBOP expenses that are not being recovered annually through the Company's base rates. The PAM was implemented because the Department found that amounts required to be booked by the Company for pension and PBOP expense pursuant to SFAS 87 and SFAS 106 were based on complex calculations that tended to exhibit a level of volatility that was not easily reconciled with pension/PBOP amounts traditionally included in base rates. The PAM is an improved ratemaking approach that will allow for the recovery of pension and PBOP expense in an objective, standardized manner in which customers pay no more and no less than the amounts incurred by the Company to meet its pension and PBOP obligations. As approved by the Department, the Company is required to file an annual reconciliation of its SFAS-determined pension and PBOP expense for the prior calendar year for effect beginning January 1st of each year.

Q. What is the history of the Company's Pension Adjustment Factor?

A. With Department approval, the individual companies have instituted the following Pension Adjustment Factors on the dates indicated:

	Pension Adjustment Factor			
Effective Date	**Boston Edison (per kWh)**	**Cambridge (per kWh)**	**Commonwealth (per kWh)**	**NSTAR Gas (per Therm)**
January 1, 2004	$0.00089	$0.00124	$0.00076	$0.00750
January 1, 2005	$0.00059	$0.00122	$0.00121	$0.01340

Q. What are the Company's proposed PAFs for the year 2006?

A. The proposed PAFs to become effective on January 1, 2006 as shown on Exhibit CLV-1, page 1, line 44, are as follows:

Company	PAF
Boston Edison	$0.00030 per kWh
Cambridge	$0.00086 per kWh
Commonwealth	$0.00080 per kWh
NSTAR Gas	$0.01594 per Therm

Q. Are there any notable differences between the methodology used to compute the proposed PAF for 2006 and the methodology that was used last year?

A. The basic structure continues to follow the methodology employed in the Company's PAM Filing in 2005. The PAM, as approved by the Department, is intended to allow NSTAR to recover actual Pension and PBOP expenses incurred above the level included in base rates, and to provide the Company a carrying charge on the Company's prepaid and unamortized pension/PBOP balances. This filing includes a third year of recovery for actual Pension and PBOP expenses incurred above the level included in base rates and also includes the impact resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Q. Please describe the Medicare Prescription Drug, Improvement and Modernization Act of 2003?

A. The Medicare Prescription Drug, Improvement and Modernization Act was passed in December 2003 and generally takes effect on January 1, 2006. The Act substantially increases the coverage of Medicare by providing senior citizens with a prescription drug benefit. In order to encourage employers to continue to offer prescription drug coverage to Medicare-eligible retirees, the Act provides a special direct subsidy from the federal government to employers who continue to offer drug coverage. With the subsidy, an employer may receive an amount equal to 28 percent of allowable retiree drug costs between $250 and $5,000 per qualifying covered retiree in 2006, net of any rebates or other price concessions. Additionally, this subsidy is not subject to federal or state income taxes.

IV. CALCULATION OF THE PROPOSED PAF

Q. Please describe the categories of PAM costs.

A. The Company's PAM reconciliation factor consist primarily of two components: (1) a Reconciliation Adjustment Component and (2) a Carrying Charge Component. The Reconciliation Adjustment Component is designed to recover the difference between the amount of pension and PBOP expense that is included in the Company's base rates and the amount booked by the Company for pension and PBOP expense pursuant to SFAS 87 (pension benefits) and SFAS 106 (post-retirement benefits other than pensions). The Reconciliation Adjustment Component is recovered from customers through a three-year amortization, which is intended to "smooth" the amount of change reflected in the annual adjustment factor from one year to the next.

The Carrying Charge Component recovers a carrying charge on: (1) the net average prepaid pension and PBOP balances for the year and (2) the Company's unamortized Reconciliation Component ("Reconciliation Deferral"). Because the level of pension and PBOP expense must be "realized" each year, carrying charges are applied to unrecovered balances to ensure that the Company is compensated for the time value of money. Pursuant to the Department's Order in D.T.E. 03-47-A, the Company applies an after-tax carrying charge rate of 8.16 percent to each of the Company's four distribution companies.

Q. How did the Company develop its proposed PAF to become effective on January 1, 2006?

A. The proposed 2006 PAF is developed in Exhibit NSTAR-CLV-1, which reflects the most current information available. The PAM costs to be recovered in 2006 (Exhibit NSTAR-CLV-1, Line 42) are divided by the forecast of 2006 retail billed sales on Line 43 to arrive at the nominal PAF shown on Line 44.

Q. Please describe the Exhibit NSTAR-CLV-1.

A. Exhibit NSTAR-CLV-1 represents the update to the Pension Adjustment Factor and is made up of the following four pages:

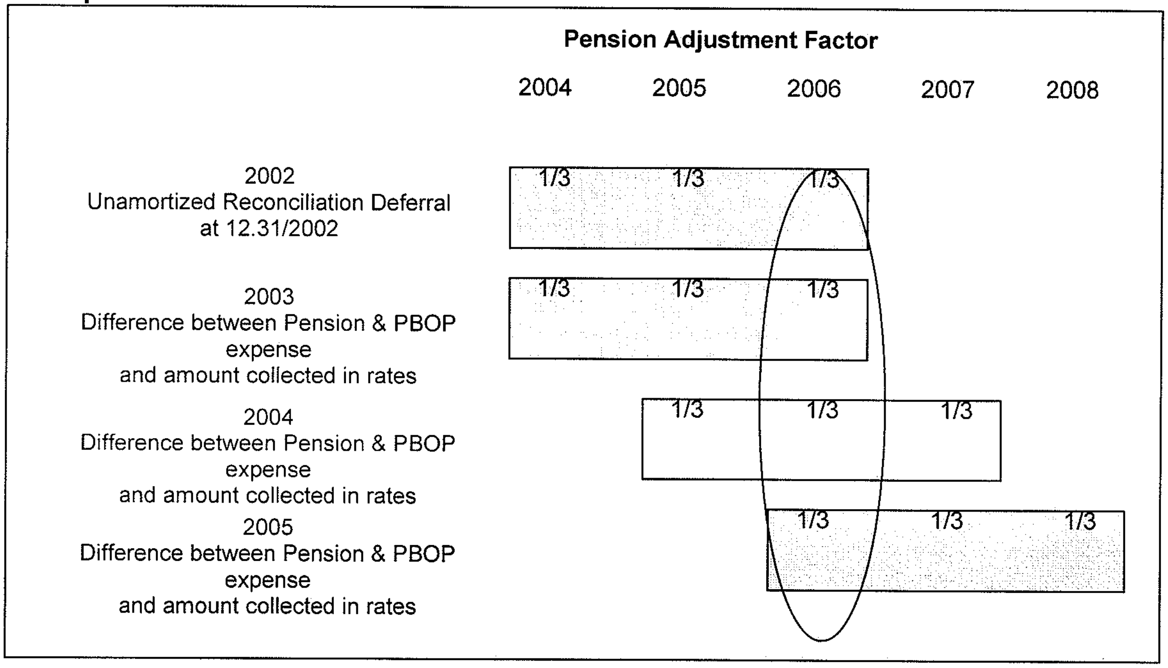
Page	Description
1	2006 Pension Adjustment Factor Calculation based on actual amounts for 2003 and 2004 and a combination of actual and forecast amounts for 2005.
2	2005 Pension Adjustment Factor Calculation based on actual amounts for 2003 and 2004.
3	2004 Pension Adjustment Factor Calculation based on actual amounts for 2003.
4	Forecasted Recoverable Pension and PBOP Plan Expenses for 2005.

Q. Please explain the Reconciliation Adjustment calculation on Page 1 of Exhibit NSTAR-CLV-1.

A. Page 1 calculates the PAF for 2006 for each distribution company. The PAF formula is uniform for all the NSTAR companies, so the description of its calculation below applies to each company unless specifically noted otherwise. As noted previously, the PAF calculation is essentially in two parts. Lines 1 through 9 of this page calculate the Reconciliation Adjustment by starting with the 2005 Pension & PBOP Distribution Expense forecast on line 1. This amount shows the Company's actuarially determined pension and PBOP forecast expense for 2005, and is calculated in accordance with SFAS 87 and SFAS 106. It is adjusted to remove the non-utility business portion, the capitalized portion and the transmission component. The calculation of this amount is supported by detail provided on Page 4. Line 2 shows the amount of Pension and PBOP expenses currently recovered in base rates. The amounts of pension and PBOP expenses currently in rates were set in each company's last base rate case. These amounts include both distribution and transmission and are fixed. Line 3 reflects the percentage of pension and PBOP expenses recovered in transmission rates. The transmission amount is collected from a formula rate that varies annually with the labor allocator of that year. The remaining amount for distribution, once the variable transmission portion is subtracted, as shown on line 4, will vary slightly from year to year. Line 5 calculates the difference between the 2005 pension and PBOP expense and that collected in rates.

The Reconciliation Deferral includes a portion of amounts from the past three years and adjusts for a three-year amortization period. The 2004 Reconciliation Deferral on line 6 is calculated on Page 2. The 2002 and 2003 Reconciliation Deferral on line 7 is calculated on Page 3. The total reconciliation amortization that will be recovered for 2006 rate purposes is obtained by adding the 2002/2003, 2004 and 2005 reconciliation deferrals (lines 5-7) as shown on line 8 and dividing by 3 and is reflected on line 9. This is pictorially demonstrated in Figure 1.

Figure 1
Years included in the Reconcilation Component



Line 10 reflects the remaining Unamortized Reconciliation Deferral that will be included in future PAF calculations.

Q. Please explain the Carrying Charge calculation on Page 1 of Exhibit NSTAR-CLV-1.

A. The Carrying Charge Calculation is calculated on lines 11 through 36 and includes two components: (1) a carrying charge on the Company's pension and PBOP prepaid amounts; and (2) a carrying charge on the Company's Existing Deferral Balance.

As described above, in D.T.E. 03-47-A, the Department established the allowed cost of capital at 8.16 percent after tax. See D.T.E. 03-47-A at 44-45. To realize this after tax carrying charge, the company calculated the pre-tax rate by "grossing up" the equity component of this return by the reciprocal of the 39.225 percent effective tax rate. This amount, 10.88 percent, is shown on line 11.

Lines 13 through 17 calculate the average pension prepaid. NSTAR has one pension plan that covers all employees and thus has one consolidated prepaid balance. The amounts shown on these lines represent only the portion of the prepaid balances allocated to the Company's regulated distribution companies. The allocation amounts shown on line 15, excludes the unregulated companies share of the prepaid. These allocators are based on the estimated labor expenses for the year 2005. In addition, the Company has reduced the amounts shown on lines 13 and 16 to reflect the removal of transmission-related carrying charges currently being recovered through FERC-approved transmission tariffs. The 2005 Average Pension Prepaid amount on line 17 is then reduced for deferred taxes as calculated on line 18 in order to arrive at the balance subject to a carrying charge on line 19. When calculating deferred taxes, the Company first reduces the average prepaid by a factor of 0.82, which represents the capitalization deduction used for tax purposes only on NSTAR's consolidated tax return. The remaining balance is then multiplied by the 39.225 percent effective tax rate to determine the deferred tax amount.

Lines 20 through 30 calculate the average PBOP prepaid balance subject to a carrying charge and functions similarly to the Pension calculation just described. There are three items worth noting, the most obvious is that the balance is actually a negative number or a liability, not a prepayment. The second difference is that, for tax purposes, the Company uses a 0.83 capitalization factor on PBOP costs. The third difference is the PBOP prepaid is impacted by the Medicare Act. Since the Medicare subsidy is a permanent tax benefit, there are no deferred taxes associated with this component of the prepaid PBOP balance. The following adjustment to the deferred tax balance computation is therefore required:

Medicare effect as of 12/31/2004	$7.000 million
Medicare effect as of 12/31/2004	$9.659 million
Average balance	$8.330 million
Multiply by tax rate	39.225%
Less unregulated portion	1.08%
Deferred tax adjustment	$3.232 million

This adjustment is shown on lines 25 through 29.

Line 31 calculates the Pension and PBOP carrying charge by adding the balances on lines 19 and 30, and multiplying the total by the Company's cost of capital factor on line 11.

Lines 32 through 35 calculate a carrying charge on the Unamortized Reconciliation Deferral from Page 2, line 8 and the 2005 Reconciliation Deferral from line 5. These amounts are first reduced by their deferred tax impact on line 33 and then multiplied by the cost of capital factor on line 11.

Before proceeding with the calculation of the PAF for 2006, the Company must first calculate an overall adjustment for 2005 PAF amounts. This estimated true-up starts on line 37 with the Forecasted 2005 Pension/PBOP Adjustment Amount, as shown on Exhibit NSTAR-CLV-1, Page 2, line 32. From the amount shown on line 37, the Company subtracts the forecast of 2005 PAM revenues (to calculate the Prior Period Reconciliation Amount on line 39). The forecast of 2005 PAM revenues are based on ten months actual revenues and two months forecasted revenues, collected in accordance with the previous estimate of the 2005 PAM adjustment factor. The Prior Period Reconciliation Amount represents the difference between the 2005 pension/PBOP expense and the PAF revenues that were actually collected in 2005.

In accordance with the Department's directive in D.T.E. 03-47-A, the PAM tariff includes a calculation of interest at the prime rate on the Prior Period

Reconciliation Amount, positive or negative. The Company has calculated this interest on line 40 and included it in the Past Period Reconciliation Amount shown on line 41.

To determine the PAF to be charged to customers in 2006; the forecasted 2006 Pension/PBOP Adjustment amount on line 42, which is the sum of the Reconciliation Amortization on line 9, the Carrying Charges on line 36 and the Past Period Reconciliation Amount on line 41, is divided by the forecasted 2006 sales volumes to arrive at the proposed 2006 Pension Adjustment Factor as shown on line 44. The sales volume forecast for 2006 reflects the Company's current internal projection of sales and is consistent with the amounts used in NSTAR Electric's Transition Charge filings and NSTAR Gas' LDAC filings.

Q. Please explain Page 2, 2005 Pension Adjustment Factor Calculation.

A. The 2005 PAF Calculation on page 2 of Exhibit NSTAR-CLV-1 is calculated much the same as the forecasted 2006 PAF described above, and is consistent with the Company's Supplemental Filing made in D.T.E. 04-118 (Exhibit NSTAR-CLV-1, Page 1) and filed with the Department on September 12, 2005.

Q. Please explain Page 3, 2004 Pension Adjustment Factor Calculation.

A. The 2004 PAF Calculation on page 3 of Exhibit NSTAR-CLV-1 is calculated much the same as the forecasted 2006 PAF described above, and is consistent with the Company's Supplemental Filing made in D.T.E. 04-118 (Exhibit NSTAR-CLV-1, Page 2) and filed with the Department on September 12, 2005.

Q. Please describe Page 4, Recoverable Pension and PBOP Plan Expenses for 2005.

A. This page shows the derivation of the forecast Distribution Pension and PBOP expense for 2005. It shows the current Company allocation percentages on lines 1 and 2. These percentages are applied to NSTAR's total Pension and PBOP actuarially determined costs to arrive at the recoverable Pension and PBOP expenses for each utility company. The total amount shown on lines 3 and 13 reflect the total NSTAR FAS 87 and FAS 106 expense.[1] Lines 3 and 13 are then reduced by approximately 1 percent on lines 4 and 14, which eliminates the Unregulated Company's share of the Pension and PBOP expenses. Regulated PBOP expenses (line 15) are reduced by the impact of the Medicare Act which is calculated on lines 16 through 19. The net regulated expenses shown on lines 5 and 20 are then reduced by approximately 33 percent (line 6) on lines 7 and 21, which is the Company's current capitalization experience. The net cost is then allocated to the individual companies on lines 9 and 23. The transmission allocator is identified on line 10 and is deducted on lines 11 and 24 in order to determine the Distribution Pension Expense on line 12 and the Distribution PBOP expense on line 25. The total is summed on line 26, which is then brought forward to Page 1, line 1.

Q. What impact did the Medicare Act have on NSTAR's PBOP cost in 2005?

A Based on amounts calculated by our actuary, NSTAR's PBOP cost was reduced by $9.7 million in 2005 as a direct result of the Act. This adjustment has been included in the $26.2 million PBOP cost for 2005 shown on page 4 of Exhibit NSTAR-CVL-1, line 13. Additionally, there are tax effects that affect the pension calculation that flow back to customers.

Q. How are the tax effects calculated in the schedules?

A There are two tax effects: one relating to the PBOP expense and one relating to the PBOP pre-paid balances. For the PBOP expense, since the ultimate subsidy which caused the decrease of the PBOP cost is tax-free, adjustments need to be made in order to flow back to customers the tax effect of this subsidy. The effect of this tax gross-up is included in Exhibit NSTAR-CLV-1, Page 4, line 19.

Impact of Medicare Act	$9.659 million
Amount applicable to regulated businesses:	98.92%
Impact on regulated businesses	$9.555 million
Tax gross-up factor	65.54%

[1] Excludes qualified pension cost and PBOP cost associated with AES and MATEP.

Tax effect of Act on PBOP Expense $6.167 million

Q. Does this conclude your testimony?

A. Yes, it does.

2006 Pension Adjustment Factor Calculations ($'s in millions)

Line	Description	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	Total	Reference
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
	RECONCILIATION ADJUSTMENT						
1	2005 Pension & PBOP Distribution Expense	$ 14.423	$ 0.683	$ 6.415	$ 7.486	$ 29.007	Page 4, Line 26
2	Base Rate Pension & PBOP Expenses for distrib & transm	$ 24.031	$ 1.207	$ 7.371	$ 4.818	$ 37.427	Company Records (03-47; AG-1-31 (Att))
3	2005 transmission allocator	6.31%	18.31%	5.06%			
4	less: Pension and PBOP currently in rates	$ (22.514)	$ (0.986)	$ (6.998)	$ (4.818)	$ (35.315)	Line 2 * (1-Line 3)*-1
5	2005 Reconciliation Deferral	$ (8.091)	$ (0.303)	$ (0.583)	$ 2.668	$ (6.308)	Line 1 + Line 4
6	2004 Reconciliation Deferral	$ (5.092)	$ (0.157)	$ 0.745	$ 4.208	$ (0.297)	Page 2, Line 5
7	2003 & 2002 Reconciliation Deferral	$ 6.338	$ 3.887	$ 1.758	$ 3.050	$ 15.033	Page 3, Line 1+ Page 3, Line 4
8	Total Reconciliation Deferral	$ (6.845)	$ 3.427	$ 1.920	$ 9.926	$ 8.429	Line 5 + Line 6 + Line 7
9	**2005 Reconciliation Amortization**	**$ (2.282)**	**$ 1.142**	**$ 0.640**	**$ 3.309**	**$ 2.810**	Line 8 / 3
10	Unamortized Reconciliation Deferral at 12/31/2005	$ (7.091)	$ (0.254)	$ (0.140)	$ 3.181	$ (4.304)	Line 5*2/3 + Line 6*1/3
	CARRYING CHARGE						
11	Cost of Capital Factor	10.88%	10.88%	10.88%	10.88%	10.88%	Per D.T.E. 03-47-A (Note 1)
12	Allocation Factors 2005 estimate (less unregs)	56.12%	3.04%	19.54%	20.22%		
13	Actual Pension Prepaid at 12/31/2004 (Note 2)	$ 155.552	$ 8.434	$ 54.153	$ 56.051	$ 274.190	Page 2, Line 11
14	Forecast Pension Prepaid at 12/31/2005					$ 306.846	Per Company Records
15	Allocated Amounts (less unregs)	$ 172.204	$ 9.337	$ 59.950	$ 62.052	$ 303.541	Line 14 *Line 12
16	Forecast Pension Prepaid at 12/31/2005 (less transmission)	$ 161.330	$ 8.747	$ 56.164	$ 58.133	$ 284.374	Line 15 * (1-Line 3) (BECO only)
17	2005 Average Pension Prepaid	$ 158.441	$ 8.590	$ 55.158	$ 57.092	$ 279.282	(Line 13 + Line 16) / 2
18	Deferred Tax on Pension	$ (50.962)	$ (2.763)	$ (17.741)	$ (18.363)	$ (89.830)	Line 17 * 0.82 * 0.39225
19	Pension Balance Subject to Carrying Charge	$ 107.479	$ 5.827	$ 37.417	$ 38.729	$ 189.452	Line 17 + Line 18
20	Actual PBOP Prepaid at 12/31/2004	$ (34.092)	$ (1.848)	$ (11.869)	$ (12.285)	$ (60.094)	Page 2, Line 16
21	Forecast PBOP Prepaid at 12/31/2005 (for all companies)					$ (67.748)	Per Company Records
22	Allocated Amounts (less unregs)	$ (38.021)	$ (2.061)	$ (13.236)	$ (13.700)	$ (67.019)	Line 21 * Line 12
23	2005 Average PBOP Prepaid	$ (36.056)	$ (1.955)	$ (12.552)	$ (12.993)	$ (63.556)	(Line 20 + Line 22)/2
24	Deferred Tax on PBOP	$ 11.739	$ 0.636	$ 4.087	$ 4.230	$ 20.692	Line 23* 0.83 * 0.39225 * -1
25	Medicare Act Impact as of 12/31/2004					$ 7.00	Per Company Records
26	Medicare Act Impact as of 12/31/2005					$ 9.66	Per Company Records
27	2005 Average Balance					$ 8.33	(Line 25 + Line 26)/2
28	Allocated Amounts (less unregs)	$ 4.674	$ 0.253	$ 1.627	$ 1.684	$ 8.240	Line 27 * Line 12
29	Medicare Deferred Tax Adjustment	$ 1.834	$ 0.099	$ 0.638	$ 0.661	$ 3.232	Line 28 * 0.39225
30	PBOP Balance Subject to Carrying Charge	(22.484)	(1.219)	(7.827)	(8.102)	(39.632)	Line 23 + Line 24 + Line 29
31	**Carrying Charge on Average Prepaid**	**$ 9.247**	**$ 0.501**	**$ 3.219**	**$ 3.332**	**$ 16.300**	(Line 19 + Line 30)*Line 11
32	Unamortized Reconciliation Deferral at 12.31/2004	$ (9.373)	$ 0.888	$ 0.500	$ 6.490	$ (1.495)	Page 2, Line 8 + Line 5
33	Deferred Tax Amount	$ 3.676	$ (0.348)	$ (0.196)	$ (2.546)	$ 0.586	Line 32 * 0.39225 *-1
34	Balance Subject to Carrying Charge	$ (5.696)	$ 0.540	$ 0.304	$ 3.944	$ (0.908)	Line 32 + Line 33
35	**Carrying Charge on Deferral Balance**	**$ (0.620)**	**$ 0.059**	**$ 0.033**	**$ 0.429**	**$ (0.099)**	Line 34 * Line 11
36	**Total Carrying Charges**	**$ 8.628**	**$ 0.560**	**$ 3.252**	**$ 3.761**	**$ 16.202**	Line 31 + Line 35
	PAST PERIOD RECONCILIATION AMOUNT						
37	2005 Pension/PBOP Adjustment Amount	$ 8.065	$ 1.945	$ 4.901	$ 6.997	$ 21.908	Page 2, Line 32
38	less: 2005 Pension/PBOP Adjustment Revenue	$ (9.575)	$ (2.138)	$ (5.270)	$ (6.007)	$ (22.989)	Per Company Records
39	Prior Period Reconciliation Amount	$ (1.510)	$ (0.193)	$ (0.369)	$ 0.990	$ (1.082)	Line 37 + Line 38
40	Interest at Prime Rate 4.426%	$ (0.067)	$ (0.009)	$ (0.016)	$ 0.044	$ (0.048)	Prime rate as per 220 § 6.08(2)*Line 39
41	**Past Period Reconciliation Amount**	**$ (1.577)**	**$ (0.201)**	**$ (0.385)**	**$ 1.034**	**$ (1.129)**	Line 39 + Line 40
	TOTAL						
42	**Forecasted 2005 Pension/PBOP Adjustment Amount**	**$ 4.769**	**$ 1.501**	**$ 3.507**	**$ 8.104**	**$ 17.882**	Line 9 + Line 36+ Line 41
43	Forecasted 2006 gWh (Mil Therms for Nstar Gas)	15,834	1,747	4,370	508		Per Company Records
44	**2006 Pension/PBOP Adjustment Factor**	**0.00030**	**0.00086**	**0.00080**	**0.01594**		Line 42 / Line 43

Note 1: This before-tax factor is equal to the after-tax factor of 8.16 percent authorized by the Department.

Note 2: The balances have been reduced to eliminate the amount recovered from transmission customers and non-utility businesses

2005 Pension Adjustment Factor Calculations ($'s in millions)

Line	Description	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	Total	Reference
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
1	Unamortized Reconciliation Deferral at 12/31/2003	$ 4.225	$ 2.591	$ 1.172	$ 2.033	$ 10.022	Page 3, Line 7
2	2003 Reconciliation Amortization	2.113	1.296	0.586	1.017	5.011	Line 1*0.5 (2nd year of 3-year amortization)
3	2004 Pension & PBOP Distribution Expense	17.278	0.797	7.823	9.026	34.925	Reference: 04-118
4	less: Pension & PBOP Expense Currently in Distrib Rates	(22.371)	(0.954)	(7.079)	(4.818)	(35.221)	Reference: 04-118*-1
5	2004 Reconciliation Deferral	(5.092)	(0.157)	0.745	4.208	(0.297)	Line 3 + Line 4
6	2004 Reconciliation Amortization	(1.697)	(0.052)	0.248	1.403	(0.099)	Line 5 / 3 (1st year of 3-year amortization)
7	Reconciliation Adjustment For 2005	$ 0.415	$ 1.243	$ 0.834	$ 2.419	$ 4.912	Line 2 + Line 6
8	Unamortized Reconciliation Deferral at 12/31/2004	$ (1.282)	$ 1.191	$ 1.082	$ 3.822	$ 4.813	Line 1 + Line 5- Line 7
	Carrying Charge Calculation:						
9	Cost of Capital Factor	10.88%	10.88%	10.88%	10.88%	10.88%	Per D.T.E. 03-47-A (Note 1)
10	Actual Pension Prepaid at 12/31/2003 (Note 2)	157.912	8.124	55.385	53.835	275.256	Page 3, Line 11
11	Actual Pension Prepaid at 12/31/2004 (Note 2)	155.552	8.434	54.153	56.051	274.190	Reference: 04-118
12	2004 Average Pension Prepaid	156.732	8.279	54.769	54.943	274.723	(Line 10 + Line 11) / 2
13	Deferred Tax on Pension	(50.412)	(2.663)	(17.616)	(17.672)	(88.363)	Line 12 * .82 * 0.39225
14	Pension Balance Subject to Carrying Charge	$ 106.320	$ 5.616	$ 37.153	$ 37.271	$ 186.360	Line 12 + Line 13
15	Actual PBOP Prepaid at 12/31/2003	$ (29.970)	$ (1.542)	$ (10.511)	$ (10.217)	$ (52.240)	Page 3, Line 16
16	Actual PBOP Prepaid at 12/31/2004	(34.092)	(1.848)	(11.869)	(12.285)	(60.094)	Reference: 04-118
17	2004 Average PBOP Prepaid	(32.031)	(1.695)	(11.190)	(11.251)	(56.167)	(Line 15 + Line 16) / 2
18	Deferred Tax on PBOP	10.428	0.552	3.643	3.663	18.286	Line 17 * .83 * 0.39225
19	Deferred Tax Adjustment for Medicare Act	0.770	0.042	0.268	0.278	1.358	$7/2* 0.39225* 2004 allocation factors
20	PBOP Balance Subject to Carrying Charge	$ (20.832)	$ (1.101)	$ (7.279)	$ (7.310)	(36.523)	Line 17 + Line 18+ Line 19
21	Carrying Charge on Average Prepaid	$ 9.301	$ 0.491	$ 3.250	$ 3.260	$ 16.302	((Line 14 + 20) * Line 9)
22	Reconciliation Deferral	$ (0.867)	$ 2.434	$ 1.917	$ 6.241	$ 9.725	Line 1 + Line 5
23	Deferred Tax Amount	0.340	(0.955)	(0.752)	(2.448)	(3.815)	Line 22 * 0.39225 *-1
24	Balance Subject to Carrying Charge	$ (0.527)	$ 1.480	$ 1.165	$ 3.793	$ 5.911	Line 22 + Line 23
25	Carrying Charge on Deferral Balance	$ (0.057)	$ 0.161	$ 0.127	$ 0.413	$ 0.643	Line 24 * Line 9
26	Total Carrying Charges	$ 9.244	$ 0.652	$ 3.377	$ 3.672	$ 16.945	Line 21 + Line 25
27	2004 Pension/PBOP Adjustment Amount	11.245	1.998	3.714	4.087	21.044	Page 3, Line 35
28	less: 2004 Pension/PBOP Adjustment Revenue	(12.772)	(1.951)	(3.053)	(3.220)	(20.996)	Per Company Records*-1
29	Prior Period Reconciliation Amount	(1.527)	0.048	0.661	0.867	0.048	Line 27 + Line 28
30	Interest at Prime Rate 4.426%	(0.068)	0.002	0.029	0.038	0.002	Prime rate as per 220 § 6.08(2) * Line 29
31	Past Period Reconciliation Amount	(1.594)	0.050	0.690	0.905	0.050	Line 29 + Line 30
32	**Actual 2005 Pension/PBOP Adjustment Amount**	**8.065**	**1.945**	**4.901**	**6.997**	**21.908**	Line 7 + Line 26 + Line 31

Note 1: This before-tax factor is equal to the after-tax factor of 8.16 percent authorized by the Department.

Note 2: The balances have been reduced to eliminate the amount recovered from transmission customers and non-utility businesses

2004 Pension Adjustment Factor Calculations ($'s in millions)

Line	Description	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	Total	Reference
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
1	Unamortized Reconciliation Deferral at 12/31/2002	$ 4.198	$ 3.712	$ -	$ -	$ 7.910	Per D.T.E. 03-47-A (Notes 1, 2)
2	2003 Pension & PBOP Distribtuion Expense Sept - Dec	9.869	0.491	4.166	4.656	19.182	Reference: 03-47B
3	less: Pension & PBOP Expense Curr. in Distrib. Rts, 4 mo	(7.728)	(0.316)	(2.408)	(1.606)	(12.058)	Per Company Records (Sept - Dec)*-1
4	2003 Reconciliation Deferral	2.140	0.175	1.758	3.050	7.123	Line 2 + Line 3
5	2003 Reconciliation Adjustment	0.713	0.058	0.586	1.017	2.374	Line 4 / 3
6	Calculated Reconciliation Adjustment For 2004	$ 2.113	$ 1.296	$ 0.586	$ 1.017	$ 5.011	(Line 1 / 3) + Line 5
7	Unamortized Reconciliation Deferral at 12/31/2003	$ 4.225	$ 2.591	$ 1.172	$ 2.033	$ 10.022	Line 1 + Line 4 - Line 6
8	**Carrying Charge Calculation:**						
9	Cost of Capital Factor	10.88%	10.88%	10.88%	10.88%	10.88%	Per D.T.E. 03-47-A (Note 3)
10	Actual Pension Prepaid at 12/31/2002 (Note 4)	$ 140.056	$ 7.205	$ 49.123	$ 47.747	$ 244.131	Reference: 03-47B
11	Actual Pension Prepaid at 12/31/2003 (Note 4)	157.912	8.124	55.385	53.835	275.256	Reference: 03-47B
12	2003 Average Pension Prepaid	148.984	7.664	52.254	50.791	259.694	(Line 10 + Line 11) / 2
13	Deferred Tax on Pension	(47.920)	(2.465)	(16.807)	(16.337)	(83.529)	Line 12 * .82 * 0.39225
14	Pension Balance Subject to Carrying Charge	$ 101.064	$ 5.199	$ 35.447	$ 34.454	$ 176.164	Line 12 + Line 13
15	Actual PBOP Prepaid at 12/31/2002	$ (29.664)	$ (1.526)	$ (10.404)	$ (10.113)	$ (51.707)	Reference: 03-47B
16	Actual PBOP Prepaid at 12/31/2003	(29.970)	(1.542)	(10.511)	(10.217)	(52.240)	Reference: 03-47B
17	2003 Average PBOP Prepaid	(29.817)	(1.534)	(10.458)	(10.165)	(51.973)	(Line 15 + Line 16) / 2
18	Deferred Tax on PBOP	9.707	0.499	3.405	3.309	16.921	Line 17 * .83 * 0.39225
19	PBOP Balance Subject to Carrying Charge	$ (20.109)	$ (1.035)	$ (7.053)	$ (6.856)	$ (35.053)	Line 17 + Line 18
20	Carrying Charge on Average Prepaid	$ 8.808	$ 0.453	$ 3.089	$ 3.003	$ 15.353	((Line 14 + 19) * Line 9)
21	Existing Reconciliation Deferral	$ 4.198	$ 3.712	$ -	$ -	$ 7.910	Line 1
22	Deferred Tax Amount	(1.647)	(1.456)	-	-	(3.103)	Line 21 * 0.39225*-1
23	Balance Subject to Carrying Charge	$ 2.551	$ 2.256	$ -	$ -	$ 4.807	Line 21 + Line 22
24	Carrying Charge on Existing Deferral Balance	$ 0.278	$ 0.245	$ -	$ -	$ 0.523	Line 23 * Line 9
25	Unamortized Reconciliation Deferral at 12/31/03	$ 2.140	$ 0.175	$ 1.758	$ 3.050	$ 7.123	Line 4
26	Deferred Tax Amount	(0.840)	(0.069)	(0.690)	(1.196)	(2.794)	Line 25 * 0.39225
27	Balance Subject to Carrying Charge	$ 1.301	$ 0.106	$ 1.068	$ 1.854	$ 4.329	Line 25 + Line 26
28	Carrying Charge on 12/31/03 Deferral Balance	$ 0.047	$ 0.004	$ 0.039	$ 0.067	$ 0.157	(Line 27 * Line 9) * 1/3 of year
29	Total Carrying Charges	$ 9.133	$ 0.702	$ 3.128	$ 3.070	$ 16.033	Line 20 + Line 24 + Line 28
30	2003 Actual Pension/PBOP Adjustment Amount	-	-	-	-	-	Line 35 prior year true-up
31	less: 2003 Actual Pension/PBOP Adjustment Revenue	-	-	-	-	-	Per Company Records*-1
32	Prior Period Reconciliation Amount	-	-	-	-	-	Line 30 + Line 31
33	Interest	-	-	-	-	-	Prime rate as per 220 § 6.08(2) * Line 32
34	Past Period Reconciliation Amount	-	-	-	-	-	Line 32 + Line 33
35	**Forecasted 2004 Pension/PBOP Adjustment Amount**	**11.245**	**1.998**	**3.714**	**4.087**	**21.044**	Line 6 + Line 29 + Line 34

Note 1: Includes Boston Edison pension deferral of $4.198 million from D.P.U. 92-92

Note 2: Includes Cambridge Electric deferral and carrying charges of $3.712 million from phase-in of SFAS 106 (D.P.U 92-250)

Note 3: This before-tax factor is equal to the after-tax factor of 8.16 percent authorized by the Department.

Note 4: The balances have been reduced to eliminate the amount recovered from transmission customers (3.54%) and non-utility businesses (1.53%).

2006 Pension Adjustment Mechanism
Recoverable Pension and PBOP Plan Expenses For 2005 ($'s in millions)

Line	Account	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	NSTAR Electric & Gas Co. *	Reference
	Col. A	Col. B	Col. C	Col. D	Col. D	Col. F	Col G
	Account 926 Employee Benefits (2005 estimate)						
1	Allocation Factors 2005 estimate	50.52%	2.74%	22.17%	24.57%		Utility O&M percentages
2	Allocation Factors 2005 estimate (less unregs)	56.12%	3.04%	19.54%	20.22%		% of Total Benefits
3	2005 Forecasted Total Pension Expense for all companies					$ 25.857	Per company records
4	Less Unregulated Companies					(0.278)	Line 3 * (1- sum of Line 2)*-1
5	Pension cost (Account 926100), per FAS 87					$ 25.579	Line 4 + Line 3
6	2005 % of Cap/Benefits (less unreg)					32.74%	
7	Charged to Capital (Account 926100)					(8.373)	Line 5 * Line 6 * -1
8	Pension Expense					$ 17.205	Line 5 + Line 7
9	Recoverable Pension Plan Expense (926000 & 926760)	$ 8.692	$ 0.472	$ 3.815	$ 4.227		Line 1 * Line 8
10	2005 Transmission Labor Allocator	6.31%	18.31%	5.06%	-		
11	Less: Transmission Component (Electric Only)	(0.549)	(0.086)	(0.193)	-		Line 9 * Line 10 *-1
12	**Distribution Pension Expense**	**$ 8.143**	**$ 0.386**	**$ 3.622**	**$ 4.227**		Line 9 + Line 11
13	2005 Forecasted Total PBOP Expense for all companies					$ 26.176	
14	Less Unregulated Companies					(0.282)	Line 13 * (1- sum of Line 2)*-1
15	PBOP cost (Account 926320)					$ 25.894	Line 4 + Line 3
16	Medicare Impact					$ (9.659)	Per Company Records
17	Medicare Impact (less unregs)					$ (9.555)	Line 16 * (sum of Line 2)
18	64.54% Tax Gross-up					64.54%	
19	Gross-up for Medicare Act reduction					$ (6.167)	Line 17 * Line 18
20	PBOP cost including tax effects of Medicare Act					$ 19.727	Line 15 + Line 19
21	Charged to Capital Account					$ (6.458)	Line 20 * Line 6 * -1
22	PBOP Expense					$ 13.270	Line 20 + Line 21
23	Recoverable PBOP Plan Expense (926000 & 926760) **	$ 6.703	$ 0.364	$ 2.942	$ 3.260		Line 22 * Line 1
24	Less Transmission Component (Electric Only)	$ (0.423)	$ (0.067)	$ (0.149)	-		Line 23 * Line 10
25	**Distribution PBOP Expense**	**$ 6.280**	**$ 0.298**	**$ 2.793**	**$ 3.260**		Line 23 + Line 24
26	**Total Recoverable Distribution Pension and PBOP Plan Expenses**	**$ 14.423**	**$ 0.683**	**$ 6.415**	**$ 7.486**	**$ 29.007**	Line 12 + Line 25

* Total Benefits are charged to Utility Companies from NSTAR Electric & Gas Company. Recoverable amounts under this mechanism include only the components of the accounts attributable to pension and PBOP.

** Charges for service company employees are in account 926000, while charges for company direct employees are in account 926760.